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DEPARTMENT FOR INL/C/CP, CA/VO/L/C, INR/B, WHA/PPC,
WHA/CEN, EB

E.O. 12958: DECL: 08/06/2027

TAGS: KCOR KCRM CVIS ECPS KJUS

SUBJECT: VISAS DONKEY: CORRUPTION 212 (F) VISA REVOCATION,
MARCELO ANTONIO CHIMIRRI CASTRO

REF: TEGUCIGALPA 579

Classified By: AMBASSADOR A. CHARLES FORD, REASONS 1.5 (B) AND (D)

Action Request and Summary

¶11. (C) Post seeks a security advisory opinion under Section 212(f) of the Immigration and Nationality Act in accordance with Proclamation 7550, suspending entry in to the United States of Honduran/Argentine/Italian citizen Marcelo Antonio Chimirri Castro(DPOB: 05 March 1966, Argentina). Information at post demonstrates that during his tenure as the director of the Honduran national telephone company Hondutel, Chimirri has directly benefited from public corruption and that his corruption has a direct and serious adverse effect on U.S. national and security interests. Chimirri has repeatedly and demonstrably extorted bribes from telephone company operators to permit continued &grey line8 operations that are illegal under Honduran law. Among the operators that have allegedly paid these bribes are U.S. firms, thus demonstrating that Chimirri has induced violations of the U.S. Foreign Corrupt Practices Act (FCPA). As will be demonstrated below, Chimirri,s actions have also impeded for many months the passage of a new, CAFTA-compliant, Honduran telecoms law. Lack of such a law has prevented legitimate, law-abiding, U.S. firms from operating in Honduras. Post has also received credible information that Chimirri has personally threatened the lives of senior Honduran law enforcement officers and telecoms operators whom he felt were a threat to his continued operations. End Action Request and Summary.

Exploiting "Grey Lines" in Honduras

¶12. (U) In December 2005, Honduran state telecommunications company Hondutel lost their exclusivity to connect international calls, but the delay in implementing a new regulatory law allowed only two other companies, mobile operators Tigo and Claro, to complete these types of calls. While the limited competition has cut rates to call Honduras from the U.S. by over half, rates still remain relatively high when compared to regional standards at around 15 U.S. cents (Note: Current technologies have driven the cost to terminating even international calls to less than a U.S. cent, mainly through the internet. End Note). The artificially high rates have stimulated a thriving "grey market" in calls terminating illegally in Honduras. These grey line operations have been the target of legitimate law enforcement activity, but also extortion by Chimirri.

¶13. (C) EconChief met April 18 with chief Honduran anti-corruption prosecutor Henry Salgado, two of his

investigators, and Nationalist congressman Carlos Kattan regarding alleged grey line operations and extortion activities lead by Hondutel sub-director Marcelo Chimirri. The investigators brought the owner of a self-confessed grey line operation (Juan Carlos Morales Romero, PDOB: Nicaragua, Sept 15, 1967). (COMMENT. Kattan has a direct personal interest in attacking Chimirri because the latter raided an alleged grey line operation run by his brother, Mauricio Kattan. Nonetheless, and given independent statements from other witnesses, Post lends significant credence to Kattan,s statements here. END COMMENT.)

¶4. (C) Morales described how Hondutel had discovered his operation in late 2006, and sent their chief anti-fraud officer to investigate his company. This fraud officer, working on behalf of Chimirri, proceeded to threaten to disconnect the company,s services if Morales did not pay USD 100 thousand a month. Morales eventually settled for 30 thousand a month. In one instance, Chimirri himself allegedly arrived and threatened to disconnect his services, after specifically stating that one certain account (belonging to President Mel Zelaya,s brother, Carlos Zelaya) was not to be touched.

¶5. (C) Morales continued to pay for the next few months, alternately paying in cash the anti-fraud chief, Hondutel chief legal counsel Danilo Santos, and San Pedro Sula businessman Marco Antonio Avila Alvarenga (DPOB: May 2, 1954, GT). Morales also visited Avila in his house in Omoa, where Morales proposed (and was refused) a lower settlement. (COMMENT: Avila was identified as a key contributor to Mel Zelaya,s successful campaign, and is rumored to have flown Zelaya around in his personal helicopter before or immediately after his election. END COMMENT.)

6.(C) Morales also stated that an associate (and U.S. citizen) was in a similar situation) Morales reported that the U.S. citizen came to terms with Hondutel on extortion amounts, and made several payments in order to continue his call-pirating operations. Per Morales, the U.S. citizen obtained a video of extortion money changing hands. (Note: EconChief spoke with the U.S. citizen in June, and he indicated that the video was of a payment to Chimirri's legal counsel, Danilo Santos, but that he was also featured on the tape and therefore was unwilling to release it. He went on to state that he was currently delivering telephone traffic to over 60 small grey line operators in Honduras, many of which pay Chimirri regularly. He sized Chimirri's monthly intake of grey line extortion money at approximately USD 700 thousand. Both Morales and the U.S. citizen, and numerous other sources, agree that Santos is the principal "bag man" Chimirri uses to collect payments. End Note).

Extorting Legitimate Operators

¶7. (C) The ex-President of telecom regulator CONATEL was also a victim of Chimirri's extortion. After having served at CONATEL under ex-President Maduro, Jose Renan Caballero left to join U.S. telecommunications company Latinode (www.latinode.com), and advocated on the company's behalf at Post several times. In February 2007, Caballero suddenly resigned. To EconOff, Caballero described how his company had agreed to pay off Chimirri in order to obtain a lower per call rate to terminate international calls. (Comment: Latinode is one of 16 new international carriers that Hondutel has contracted with since the new administration of President Jose Manuel "Mel" Zelaya took office in 2005. Most of these contracts, including Latinode, contain suspect "confidentiality clauses" that seem to arbitrarily lower their rates. End Comment).

¶8. (C) Latinode is also a key company of interest in an on-going Foreign Corrupt Practices Act (FCPA) investigation by the Department of Justice. Caballero indicated, as have several other sources that Latinode owes approximately USD 3 million to Hondutel as of December 2006, when their contract expired. Per anti-corruption prosecutor Salgado, Latinode

then made two deposits of USD 15 thousand each in January 2007 and again in February to a private Honduran bank account of Hondutel's Danilo Santos. The confidential information from Salgado, obtained through Honduras' Financial Investigations Unit (UIF), directly corroborates Caballero's story.

¶ 9. (C) Salgado also informed Post that they have confirmed that another of the U.S. carriers deposited money directly into a private bank account controlled by Chimirri. The company, Huntington Telecom (www.hunt-tel.com), deposited USD 10 thousand to Chimirri's account in late August 2006. The account is nominally controlled by his wife, Francis Quezada Garcia and his daughter, Edith Ruth Chimirri Quezada. Per Salgado, Chimirri frequently uses family members as fronts for acquired assets that would cast suspicion on him. (Comment: Examples include a fleet of luxury cars, and valuable land holdings. End Comment).

¶ 10. (C) Carlos David Flores, son of ex-President Carlos Flores and a telecom entrepreneur, confided to EconChief in March 2007 that a good contact of his, who he identified as the head of Huntington Telecom, had been a victim of a Chimirri bribe. Salgado's information on Chimirri's bank account directly corroborates this story. Carlos David then went on to describe to EconOff how he and fellow investors were personally extorted by Chimirri when his company approached Hondutel about obtaining a license. In order to approve the license, Chimirri asked directly "What is in it for me?" The team left without an agreement. (COMMENT: When Carlos David described his encounter with Chimirri to his father, the ex-President immediately called President Zelaya to complain. Interestingly, Flores' comment to Zelaya was to "keep Chimirri away from my family." Fear of Chimirri and what he might do is a common refrain in the industry. END COMMENT).

¶ 11. (C) AMNET cable company, a subsidiary of U.S. company Amzak International, was also threatened by Chimirri. AMNET's country manager and top technical rep met with EconOff April 3 and played a taped conversation in which Chimirri said he would "make it difficult" for the company if they didn't vacate a certain market area that overlapped his own business interest. Given that Chimirri could delay or cancel AMNET's

telecommunications capacity, or worse invade the company, the company reps have basically decided that it would be in their best interests to do so. (COMMENT: Several sources have confirmed that Chimirri is clandestinely running a small cable company in Tegucigalpa named TeleColor. Oddly, the company has only a few thousand customers in a poor area of Tegucigalpa, yet runs a state-of-the-art network. Some have speculated that Chimirri makes the business profitable by using confiscated equipment and channels sent illegally by CableColor, an AMNET competitor owned by business magnate Jaime Rosenthal. Others believe the cable operation is just a front for a massive grey line operation that terminates calls over CableColor. The Public Ministry has been alerted to TeleColor, and, while it told EconOff that it anticipated raiding the company by mid-April, it has not yet done so. This inaction may be related to threats of violence made against the Attorney General. See paragraph 14. END COMMENT).

Threatened Violence Against Opponents

¶ 12. (C) EconChief and Ambassador met with head of Hondutel Jacobo Lagos on April 14, a Saturday, after Lagos requested a meeting as soon as possible. Lagos detailed how he had personally received threats from Chimirri on April 12 regarding Lagos, role in running Hondutel and the potential impact to Chimirri's illicit operations. Lagos said Chimirri was urging a management shift that would leave Lagos in charge of only administrative functions, leaving operations entirely under Chimirri's control.

¶13. (C) Later that month, Lagos attempted to gain more control at Hondutel by obtaining board of director's approval on his plan to nullify Chimirri's management actions over the past year and undertake a technical audit of Hondutel facilities. Once he obtained approval on April 20, he assembled a technical team and on Friday, April 27, sent a memorandum to all Hondutel employees announcing the changes. Lagos was then fired by President Zelaya on Monday, April 30. (Note: No clear reason was ever given by the President for firing Lagos. Finance Minister Rebeca Santos, head of the Hondutel board of directors which gave the go-ahead to Lagos, has refused to attend any other board meetings since. End Note).

¶14. (C) Following a sharp exchange with Chimirri in front of the National Congress, Attorney General Leonidas Rosa Bautista received a call at his residence by a person who specifically threatened his family. The caller did not state a motive, but in an April 2 meeting with Ambassador and EconOff, Rosa Bautista said that he believed the call came from a Hondutel insider based on caller ID information. He stated clearly to Ambassador and EconOff that the timing of the threat and his actions against Hondutel was not coincidental. (NOTE: After two years in office this is the first direct threat made against Rosa Bautista. END NOTE)

¶15. (C) The press and private businessmen have also been victims of Chimirri's threats. Jose Luis Rivera, the head of the main private industry lobby group for Telecom (ASETEL), indicated that his uncle, media owner Rafael Ferrari, had been threatened by Chimirri for his role in supporting new telecom legislation. Jorge Canahauti, a prominent owner of the two largest Honduran newspapers, was contacted by an interlocutor who indicated that unless his newspapers ceased attacking the President and supporting the new telecom law, his life would be in danger by Chimirri. Finally, a recent radio interview with Chimirri quotes him directly as saying that he would "kill them (Ferrari and Canahauti) first" before he "got killed" (Note: This seems to refer to blocking the new telecom law, but the threat is unmistakable. End Note).

¶16. (C) On March 22, the Congress directed the GOH to request Post to help investigate U.S. carrier activity and the Public Ministry to launch several investigations. The decree was sent to the Foreign Minister to pass to Post on March 29, but was not delivered until April 18. Per Nationalist Congressman Carlos Kattan, the office of President Zelaya specifically asked the secretary of Congress (Liberal party Congressman Alfredo Saavedra Paz) to delay as long as possible these requests. EconChief called Ambassador Eduardo Rosales Ramirez, Director of External Relations at the Foreign Ministry on April 16 looking for the request. Rosales called back on April 18 saying he found the request, but it had literally been hidden in a desk. Rosales indicated that he had &never seen that before in his

career.⁸

Why Proclamation 7550 Applies

¶17. (C) Chimirri's extortion of Honduran and U.S. firms directly attacks U.S. national interests in Honduras by (1) suborning a bribe in violation of the FCPA; (2) undermining U.S. efforts to open the Honduran market to legitimate U.S. business; and (3) undermining U.S. efforts to foster the rule of law in Honduras.

¶18. (C) Suborning a violation of U.S. criminal law is, per se, an attack on U.S. national interests as codified in the U.S. Code. As shown above, Chimirri did suborn, and receive, a bribe from one identified U.S. company and apparently did so in several other cases.

¶19. (C) The CAFTA-DR treaty, ratified by Honduras over a year ago, promised a market opening through a new Telecommunications law. Several companies have invested

millions of dollars, many of them U.S. citizen investors, to prepare to compete in the new market environment. The delay in passing the new telecommunications law has put in jeopardy these investments. The delay has also allowed Marcelo Chimirri and his associates to benefit from the artificially high international rates and their lucrative business in grey lines. The United States Government has devoted billions of dollars and untold other efforts to trying to create a stable, prosperous and democratic Honduras. These efforts have been, and continue to be, gravely undermined by pernicious corruption, of which Chimirri is a very efficient practitioner.

Current Visa/Travel Plans

¶20. (SBU) Chimirri has not been informed that he may be subject to the provisions of Presidential Proclamation 7550, under Section 212(f) of the INA.

¶21. (SBU) According to a review of the Consular Consolidated Database, Chimirri does not have a valid visa. Honduran immigration records indicate that he travels to the United States using an Italian passport and thereby benefits from the Visa Waiver Program.

¶22. (SBU) We are not aware of any current travel plans, though Chimirri regularly travels to or through the United States.

Post Recommendation

¶23. (SBU) Based upon the facts of the case, Post recommends that Marcelo Antonio Chimirri Castro be denied entry to the United States.

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